(c) what is the role of RBI in such matters?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The banks enter into the derivative transactions with companies as a part of their business. Most of the commercial banks undertake derivative transactions. However, the new private sector banks such as ICICI Bank, HDFC Bank, Kotak Mahindra Bank, AXIS Bank, Yes Bank are actively dealing in derivative products, which include Cross Currency Swaps, Currency Options. Corporates often enter into derivative transactions with banks to hedge against adverse currency movements having bearing on their earnings. Reserve Bank of India (RBI) has reported that certain cases of alleged losses by the companies on account of derivatives sold by the banks have come to its notice. However, the existing Management Information System of RBI does not generate the information about the loss caused to the companies or involvement of banks in legal suits on account of derivative transactions.

(c) To provide a framework for undertaking derivative transactions from a regulatory perspective, RBI has issued comprehensive guidelines on derivatives *vide* its circular dated 20th April, 2007. The guidelines emphasise the need for a proper risk management framework and appropriate corporate governance practices. To protect the market-maker against the credit, reputation and litigation risks that may arise from a user's inadequate understanding of the nature and risks of the derivative transactions, the guidelines also provide that market-makers should adopt a board approved 'Customer Appropriateness and Sutability Policy' for derivative business. As a regulator of foreign exchange market, RBI also issues policy guidelines to Authorised Dealers to facilitate hedging by residents/ corporates their foreign currency exposure by use of derivatives such as Forwards, Swaps and Options.

Guidelines for operations of foreign funds

2407. SHRI RAJEEV CHANDRASEKHAR: Will the Minister of FINANCE be pleased to state:

(a) whether Government has any policy or guidelines with respect to operations of foreign funds in the country;

(b) if so, the details thereof; and

(c) if not, whether Government has any proposal to frame a policy or guidelines on the issue?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Foreign funds may come to the country either to Government or to non-Government entities. Funds received in the Government of India are in the form of Development related funds, grants and credit etc. The Development related funds are received from multilateral agencies *viz.* World Bank, IMF and ADB etc. and bilateral donors *viz.* EU, Japan, UK, France and Germany etc. Funds received from these agencies are project specific and utilized as per agreements signed. Foreign funds may come to non-Government entities for investment or non-investment purposes. The foreign funds for investment purposes are governed by FDI policy, amended by GOI from time to time. Foreign Investment in India is also received through Foreign Portfolio Investments (FPI) and Foreign Venture Capital Investors (FVCIs) routes. The latter two

investments are governed by SEBI (FN) regulations, 1995 and SEBI (FVCI) regulations 2000. Foreign funds inflows other than investment purposes are governed by Foreign Contribution Regulation Act (FCRA)).

(c) Does not arise.

Weavers under loan exemption scheme

2408. SHRIMATI MOHSINA KIDWAI: Will the Minister of FINANCE be pleased to state:

(a) whether weavers are also covered under the loan exemption scheme announced by Government for the farmers;

(b) if so, the details thereof and how many weavers from Uttar Pradesh and other places are likely to be covered and benefited;

(c) whether Government would announce suitable package for weavers who have taken loan from private banks and moneylenders; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Only farmers are covered under the debt waiver and debt relief scheme announced by the Government in the Union Budget 2008-09.

(c) and (d) In the Union Budget 2008-09 itself, for the benefit of weavers, an announcement has been made increasing the allocation for development of the handloom sector through cluster approach to Rs. 340 crore. Further, in order to scale up both infrastructure and production, it is proposed to take up 6 centres for developing as mega-clusters for handloom-Varanasi and Sibsagar for handlooms, Bhiwandi and Erode for powerlooms, and Narsapur and Moradabad for handicrafts. Each mega centre will require about Rs. 70 crore. To start the process, an initial provision of Rs. 100 crore has been announced in budget 2008-09 for the benefit of weavers.

Increase in land ceiling under the loan waiver scheme

2409. SHRIMATI MOHSINA KIDWAI: Will the Minister of FINANCE be pleased to state:

(a) whether Government is going to increase land ceiling for loan waiver to the farmers from the existing limit;

(b) if so, the details thereof;

(c) if not, the reasons therefor;

(d) what mechanism Government has devised to get rid of farmers from the loans taken by the farmers from moneylenders and private banks;

(e) whether Government would come out with a suitable package for the farmers to pay off the loans taken from such private agencies; and

(f) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (c) All suggestions received regarding the debt waiver and debt relief scheme for farmers, announced in the Union Budget 2008-09, shall be appropriately considered while finalising the scheme, which is under process.